

**BELLINGHAM SCHOOL DISTRICT NO. 501**  
**Whatcom County, Washington**  
**September 1, 1995 Through August 31, 1996**

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**Schedule Of Findings**

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1. Associated Student Body Dance Accounting Records At Sehome High School Were Falsified By The Athletic Director/Assistant Principal

On September 20, 1996, Bellingham School District notified the State Auditor's Office that the athletic director/assistant principal at Sehome High School was paying cash to chaperones from Associated Student Body (ASB) dance proceeds. Prior to this date the district contracted with a private consultant to perform an investigation of this matter. We reviewed the information obtained during the district's investigation and the results of preliminary interviews with individuals closely associated with these ASB activities. During our audit, we noted the following irregularities:

- a. The athletic director/assistant principal was the primary ASB advisor and had been paying chaperones from dance proceeds for several years. Statements by the chaperones indicated this practice had been in place for a number of years, and was continued when the current assistant principal was appointed to administer these programs. Previously, all chaperones were paid a specified amount for each event. The current assistant principal continued this practice; however, he only paid selected individuals on specific occasions and in varying amounts. Our audit confirmed that some chaperones received pay for their services while others did not. One chaperone received about \$400 over the past five years and was paid in amounts ranging from \$20 to \$35 per dance. As a result of these unauthorized payroll activities, the district did not deduct or pay normal payroll taxes on compensation paid for these services and did not report these wages to the appropriate state and federal agencies.
- b. Several years ago, the district began using prenumbered tickets to reconcile ticket sales to the amount of funds received from each dance. However, the assistant principal then suggested that ticket sellers either not use the tickets at all, or not tear-off a ticket for each individual who paid to attend the dance. Using these procedures, the assistant principal was able to circumvent district policies and pay chaperones from dance proceeds without detection by the ASB bookkeeper.
- c. The assistant principal usually collected the cash boxes after dances and placed them in the school vault for safekeeping. He subsequently counted these funds, tore off a sufficient number of tickets to match the amount of money on-hand, and submitted the completed reconciliation form to the ASB bookkeeper for further processing. These actions made it appear that the reconciliation had been properly completed and that all funds had been properly accounted for and controlled. Individuals who attended and chaperoned dances in September 1996 reported that no tickets were used and that all tickets were still in the cash box after the dance. The assistant principal prepared false reconciliation forms for

these events which indicated the beginning and ending ticket numbers used and then deposited the appropriate amount of funds with the ASB bookkeeper. These reconciliation forms were false because they represented only the net revenue after chaperone payments had been deducted from dance proceeds.

- d. Sehome High School had not established adequate procedures to provide accountability for all change funds and dance proceeds. The ASB bookkeeper issued and received cash boxes, change funds, and tickets without establishing or verifying accountability for these assets to a specific individual.

*Revised Code of Washington* (RCW) 28A.325.030 states in part:

Associated student body program fund -- Created -- Source of funds -- Expenditures -- Budgeting -- Care of other moneys received by students for private purposes . . . All moneys generated through the programs and activities of any associated student body shall be deposited in the associated student body program fund . . . Disbursements from such fund shall be under the control and supervision, and with the approval, of the board of directors of the school district . . . .

RCW 42.20.070 states:

Misappropriation and falsification of accounts by public officer. Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town or any school, diking, drainage, or irrigation district, who--

- (1) Shall appropriate to his own use or the use of any person not entitled thereto, without authority of law, any money so received by him as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or
- (3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or
- (4) Shall wilfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money by him as such officer when it is a duty imposed upon him by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

We recommend the district:

- a. Ensure all ASB employees properly perform cash handling and ticket taking activities in accordance with established policies and procedures.

- b. Ensure specific individuals accept responsibility for change funds and accountable documents and forms for ASB activities to improve accountability over public assets.
- c. Process all chaperone payments through the payroll or accounts payable system to ensure all wages are properly reported to the employees and appropriate state and federal agencies.

We refer this matter to the Washington State Office of the Attorney General for their review and any further action deemed appropriate under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Auditee's Response

*We have reviewed the draft Audit Finding which you presented to us at the conclusion of your recent audit. We accept your recommendations.*

*As you pointed out in our presentation, in mid-September, 1996, allegations were made that District procedures for the handling of dance proceeds were not being followed. We conducted an immediate and thorough administrative review of the situation to determine if there was any substance to the charges and informed your office of the situation. After substantiating the factual background with all those involved, we took clear measures to correct the situation and kept your staff informed throughout the process. We take the violation of internal control procedures for handling cash collections and ensuring proper accounting for ASB funds very seriously.*

*In an attempt to correct the problems noted in your report, we have reassigned administrative duties at Sehome. We prepared revised cash collection procedures that are even more detailed and specific than those previously in place. These new procedures have been reviewed by your field examiners and have been put into practice. We are confident that these changes will prevent any similar problems in the future. We also adopted a district-wide ASB activity payment schedule to ensure that any and all payments are consistent and made through the proper channels. In addition, we are committed to providing continued training opportunities to key staff members to keep them alert to their responsibilities for proper cash handling procedures.*

*I appreciate the quick and supportive response by you and your staff to work with District and school personnel on this review. I believe our response to this finding will further strengthen and safeguard our procedures for handling ASB funds.*

Auditor's Concluding Remarks

We would like to thank Bellingham School District for their response and to acknowledge their efforts in addressing the concerns. Based upon the district's representations, it appears the matters delineated in our report have been addressed, or are being, addressed. We will follow up on these matters in subsequent audits.